

Ordinance No. 122196

Council Bill No. 115686

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: Jean Goldstein

Councilmember

Rush!

AN ORDINANCE relating to the City Light Department's participation in a variable payment program for the purchase of electricity from the Bonneville Power Administration; authorizing the Department to enter into agreements and execute documents required by the program; and pledging the net revenues of the Light System to the payment of certain obligations in connection with the program.

Committee Action:

8/9/06 DO PASS - JG, DD

8-14-06 Passed 9-0

CF No. _____

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| Date Introduced: <u>AUG - 7 2006</u> | | |
| Date 1st Referred: <u>AUG - 7 2006</u> | To: (committee) <u>Energy and Technology</u> | |
| Date Re - Referred: | To: (committee) | |
| Date Re - Referred: | To: (committee) | |
| Date of Final Passage: <u>8-14-06</u> | Full Council Vote: <u>9-0</u> | |
| Date Presented to Mayor: <u>8-15-06</u> | Date Approved: <u>8/16/06</u> | |
| Date Returned to City Clerk: <u>8/16/06</u> | Date Published: <u>3 pp.</u> | T.O. <input checked="" type="checkbox"/> F.T. <input type="checkbox"/> |
| Date Vetoed by Mayor: | Date Veto Published: | |
| Date Passed Over Veto: | Veto Sustained: | |

This file is complete and ready for presentation to Full Council. Committee: _____ (initial/date)

LAW DEPARTMENT

Law Dept. Review OMP Review City Clerk Review me Electronic Copy Loaded Indexed

ORDINANCE 122196

AN ORDINANCE relating to the City Light Department's participation in a variable payment program for the purchase of electricity from the Bonneville Power Administration; authorizing the Department to enter into agreements and execute documents required by the program; and pledging the net revenues of the Light System to the payment of certain obligations in connection with the program.

WHEREAS, the City Light Department purchases wholesale electricity from the Bonneville Power Administration ("BPA") under the Block and Slice Power Sales Agreement; and

WHEREAS, BPA has offered its Block power product customers, including the City, a new payment program for purchased power (the "Flexible PF Rate Program"); and

WHEREAS, the Flexible PF Rate Program ("Program") will change the Block power rate from fixed to variable over the course of each year depending on BPA's cash requirements, reduce the amount of cash reserves that BPA is required to maintain, and result in lower annual Block power rates to its customers, including the City; and

WHEREAS, as required by the Program, the City has negotiated an irrevocable letter of credit with Bank of America, N.A. (the "Letter of Credit"), designating BPA as beneficiary, to support the City's power payment obligations under the Program; and

WHEREAS, the City and BPA have negotiated Amendment No. 8 to the Block and Slice Power Sales Agreement ("Amendment No. 8") to enable the City to participate in the Program; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The Superintendent of the City Light Department, or his designee, is hereby authorized to execute and perform Amendment No. 8, substantially in the form attached to this ordinance as Exhibit A, with such changes that are consistent with this ordinance and are acceptable to the Superintendent, to provide for the City's participation in Bonneville Power Administration's Flexible PF Rate Program.



1 Section 2. In connection with the issuance of a Letter of Credit in the maximum amount
2 of \$16,500,000 and substantially in the form attached to this ordinance as Exhibit B with such
3 changes as are consistent with this ordinance and acceptable to the Superintendent, the
4 Superintendent, or his designee, is authorized to execute, on behalf of the City, a Reimbursement
5 Agreement, substantially in the form attached to this ordinance as Exhibit C, with such changes
6 as are consistent with this ordinance and acceptable to the Superintendent. The Superintendent,
7 or his designee, is further authorized to negotiate and execute any amendments or replacements
8 of the Letter of Credit, Reimbursement Agreement and related documents as the Superintendent
9 deems necessary, appropriate or desirable provided that the total principal amount of any
10 reimbursement obligation under the Reimbursement Agreement and any amendments or
11 replacements shall not exceed \$16,500,000, and the term of such documents shall not extend
12 beyond September 30, 2009.

15 Section 3. The City pledges, to the repayment of the obligations to the Bank under the
16 Reimbursement Agreement, the net revenue of the Light System in the manner, to the extent and
17 subject to the terms and conditions set forth in the Reimbursement Agreement.

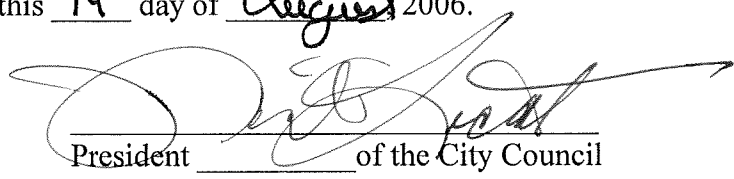
19 Section 4. The Superintendent, or his designee, is further authorized to negotiate and
20 execute documents related to those described in sections 1 and 2 that are deemed reasonably
21 necessary or appropriate to satisfy the City's performance of its obligations under Amendment
22 No. 8.

24 Section 5. Any acts in furtherance of this ordinance that are taken after its passage but
25 prior to its effective date are hereby ratified and confirmed.

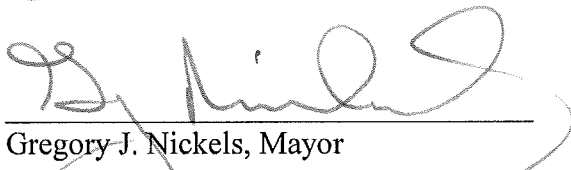


1 Section 6. This ordinance shall take effect and be in force thirty (30) days from and after
2 its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days
3 after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

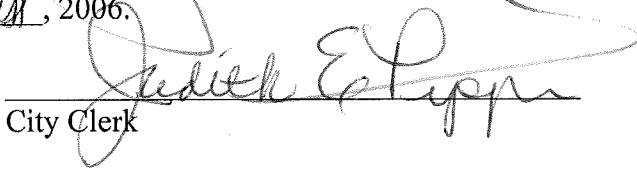
4 Passed by the City Council the 14th day of August, 2006, and signed by me in open
5 session in authentication of its passage this 14th day of August 2006.

6
7 
8 President _____ of the City Council

9 Approved by me this 16th day of August, 2006.

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11 
12 Gregory J. Nickels, Mayor

13 Filed by me this 16th day of August, 2006.

14
15 
16 City Clerk

17 (Seal)

- 18
19 Exhibit A: Amendment No. 8
20 Exhibit B: Letter of Credit
21 Exhibit C: Reimbursement Agreement
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City of Seattle

Gregory J. Nickels, Mayor

Office of the Mayor

July 25, 2006

Honorable Nick Licata
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Licata:

I am transmitting the attached proposed Council Bill that will authorize City Light to execute an amendment to its 2000 Block and Slice Power Sales Agreement with Bonneville Power Administration (BPA) and to make related financial arrangements, including establishing a letter of credit and reimbursement agreement. These agreements will allow City Light's participation in the Flexible PF (Priority Firm) Rate Program that will enable BPA to reduce its rates for the Block power product.

A new idea for regional power cost savings, originally conceived by its customers, was embraced by BPA and offered to Block purchasers for the first time this year. It will provide the means to reduce the cost of BPA's cash reserves, which directly impact the cost of firm power. The Flexible PF Rate Program, which has been incorporated in BPA's 2007 rate case, is currently expected to save customers at least \$1 per hour in the cost of Block power purchases. The final savings that will be realized, which will be influenced by the number of customers that choose to participate in this new program, will be determined when BPA's final adjusted rate proposal is issued later this year. At a minimum, this is expected to provide City Light ratepayers with savings of \$2.2 million per year.

Although City Light's participation in this program is voluntary, execution of the proposed agreements will demonstrate the City's commitment to the low-cost power for both its own customers, and for other retail customers throughout the Northwest. Thank you for your consideration of this legislation. Should you have questions, please contact Connie Griffith at 684-0905 or Cindy Wright at 396-4533.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Nickels", written over a large, stylized flourish that extends across the signature area.

GREG NICKELS
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

600 Fourth Avenue, 7th Floor, P.O. Box 94749, Seattle, WA 98124-4749

Tel: (206) 684-4000, TDD: (206) 684-8811 Fax: (206) 684-5360, Email: mayors.office@seattle.gov

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Department of Energy

Bonneville Power Administration
Seattle Customer Service Center
909 First Avenue, Suite 380
Seattle, Washington 98104-3636

FINAL DRAFT

POWER BUSINESS LINE

July 7, 2006

In reply refer to: PSW/Seattle

Amendment No. 8
Contract No. 00PB-12176
POWER SALES AGREEMENT

Jorge Carrasco, Superintendent
Seattle City Light
700 Fifth Avenue, Suite 3300
P. O. Box 34023
Seattle, WA 98124-4023

Dear Jorge:

This Amendment No. 8 (Amendment) between City of Seattle, Light Department (Seattle) and the Bonneville Power Administration (BPA) revises Exhibits A and D of Contract No. 00PB-12176 in order to implement a Flexible PF Rate Program.

The Flexible PF Rate Program is a program by which BPA may increase the amount payable by participating customers for power service in a given month and thereafter reduce the amount payable for power service from such customers in subsequent months. The Flexible PF Rate Program is intended to offer an alternative payment option for PF power purchases by Seattle from BPA.

BPA and Seattle agree:

1. **EFFECTIVE DATE.** This Amendment shall take effect on the date executed by the Parties (Effective Date).
2. **AMENDMENT OF THE AGREEMENT.** BPA and Seattle wish to amend the Agreement as follows:
 - (a) Exhibit A shall be deleted and replaced by the attached Exhibit A, Revision No. 1.
 - (b) Exhibit D shall be deleted and replaced by the attached Exhibit D, Revision No. 1.



If you find this Amendment acceptable, please have sufficient copies signed to provide one for BPA and as many other copies as Seattle needs. Return all signed originals to this office before August 25, 2006, and I will execute and return Seattle's copies.

ACCEPTED:

Sincerely,

CITY OF SEATTLE, CITY LIGHT
DEPARTMENT

By ***Ordinance Attachment - Do
Not Sign***

Superintendent

Senior Account Executive

Name _____

Name Stuart H. Clarke, Jr.

Date _____

(SeattlePBLAN-PSW/Seattle-S:\FM\CUST_SHC\SE\PSC_2000_Pf_Slice\AA#8_Flexible PF\SePSA_12176_20060707_Flexible PF_Amendment_Final.doc) 07/07/06

Attachment 1: Revision 1, Exhibit A, Rate Commitments For Block Product
Attachment 2: Revision 1, Exhibit D, Additional Products and Special Provisions



**Revision No. 1, Exhibit A
RATE COMMITMENTS FOR BLOCK PRODUCT
Effective on October 1, 2006**

This exhibit revision adds the Flexible PF Rate Option in section 3(d), as part of Seattle's participation in the Flexible PF Rate Program in Exhibit D.

1. DEFINITIONS

- (a) "5-Year Rates" means the Lowest PF Rates for the Block Product established in the CY 2002 Rate Case for CYs 2002 through 2006.
- (b) "Lowest PF Rates" means the lowest applicable cost-based power rates provided under the applicable PF rate schedule as applied to Seattle's Block Power purchases under this Agreement. The Lowest PF Rates shall be selected by Seattle from the PF rates that are available and from which the Parties agree Seattle is eligible to purchase under at the time Seattle makes its selection as specified in this exhibit.

2. PURCHASE DURATION

Seattle shall purchase all of the Block Power provided in section 4(a)(1) of the body of this Agreement for the entire term of this Agreement.

3. PRIORITY FIRM POWER RATE TREATMENT

- (a) **Right to Lowest PF Rates**
Seattle is contractually guaranteed through September 30, 2011, the Lowest PF Rates established in a successor BPA power rates proceeding for its Block Power purchases under this Agreement. This section shall not be construed to waive, alter, or amend any right that Seattle may have under applicable statutes.
- (b) **Revisions to Priority Firm Power Rates**
BPA agrees that the 5-Year Rates available to Seattle for purchases of Block Power consistent with this exhibit shall not be subject to revision during their respective terms, except for the application of a Cost Recovery Adjustment Clause or a Targeted Adjustment Charge as provided in the applicable PF rate schedules and GRSPs and this Agreement.
- (c) **5-Year Rates Treatment**
All Block Power purchases provided under section 4(a)(1) of the body of this Agreement are subject to the 5-Year Rates. The monthly energy rates for Block Power are specified in sections II.B1 and II.B2 in the section labeled "Schedule PF-02 Priority Firm Power" in the CY 2002 Power Rate Schedules.



Seattle must select a follow-on rate period and associated rates for such Block Power purchases from those offered by BPA, and notify PBL of its selection, by the later of:

- (1) six months prior to the expiration of the 5-Year Rates; or
- (2) thirty (30) days after the date BPA's initial proposal for successor rates is published.

Otherwise the follow-on rate period and associated rates for such Block Power purchases shall be the shortest rate period and associated rates that are applicable to Seattle.

(d) **Flexible PF Rate Option – Flexible PF Rate Program**

(1) **TERM**

This section 3(d) shall be effective October 1, 2006 through September 30, 2009. All liabilities are preserved until satisfied.

(2) **DEFINITIONS**

Capitalized terms in this Flexible PF Rate Option section shall have the meanings defined below.

(A) "Power Bill" means the Power Bill issued on a monthly basis by PBL describing the usage, charges, credits and adjustments applicable to wholesale power (other than Slice) sold by PBL in a month to Seattle.

(B) "Total Flexible PF Obligation Amount" means a dollar amount that is equal to the amount of a Flexible PF Charge for which PBL has received payment under the Flexible PF Charge section below, minus Flexible PF Adjustments that PBL has included in Power Bills as provided in the Effecting Flexible PF Adjustments section below.

(C) "Flexible PF Charge" means a dollar amount under the Flexible PF Charge section below that increases the amount that Seattle is obligated to pay for Contracted Power in a month under the published rates in the applicable PF rate schedules.

(D) "Flexible PF Adjustment" means a dollar amount under the Effecting Flexible PF Adjustments section that decreases the amount that Seattle is obligated to pay for Contracted Power in a month under the published rates in the applicable PF rate schedules.

(E) "Flexible PF Discount" means a dollar amount under the Effecting Flexible PF Adjustments section, calculated pursuant to section (d) of Exhibit D, that decreases the

amount that Seattle is obligated to pay for Contracted Power in a month under the published rates in the applicable PF rate schedules.

(3) **FLEXIBLE PF CHARGE**

PBL may include in a Power Bill and Seattle shall pay PBL a Flexible PF Charge in a dollar amount, up to 16,500,000 dollars, as determined by PBL. The inclusion by PBL of a Flexible PF Charge shall be subject to the following provisions:

- (A) PBL shall provide Seattle with advance written notice of the amount of the Flexible PF Charge. PBL may issue written notices for Flexible PF Charges through August 21, 2009.
- (B) PBL shall bill Seattle for a Flexible PF Charge on the first Power Bill that is issued at least ten days after the date of the written notice in section 3(d)(3)(A) above.
- (C) PBL may include a Flexible PF Charge in a Power Bill only if the Total Flexible PF Obligation Amount is equal to zero as of the date PBL delivers the related advance written notice provided under section (3)(A) above.
- (D) PBL may impose a Flexible PF Charge on Seattle not more than twice in any continuous twelve-month period.

(4) **EFFECTING FLEXIBLE PF ADJUSTMENTS**

(a) Except as provided in section 3(d)(4)(b) below, within 120 calendar days of PBL receiving payment of a Flexible PF Charge, PBL shall include in a Power Bill and shall continue to include in each subsequent Power Bill until such time as the Total Flexible PF Obligation Amount is zero, a Flexible PF Adjustment. The Flexible PF Adjustment shall be in an amount equal to the lesser of:

- (A) the dollar amount in the Power Bill that would be due and payable to PBL without the Flexible PF Adjustment; or
- (B) the Total Flexible PF Obligation Amount.

(b) If the Total Flexible PF Obligation Amount is greater than zero at the time that the December Power Bill is to be issued, then a Flexible PF Adjustment equal to the total Flexible PF Obligation Amount shall be included in the December Power Bill.



- (c) The Flexible PF Discount amount shall be included as a credit on the Power Bill for each month that Seattle has a Total Flexible PF Obligation Amount Greater than zero.

4. SPECIAL PF LOAD TREATMENT

(a) **Annexed Loads**

Seattle agrees to serve any Annexed Loads with resource amounts added consistent with section 4 of Exhibit C, Net Requirements except as follows: Annexed Load amounts that were served by PBL under section 5(b) of the Northwest Power Act immediately prior to becoming an Annexed Load will be provided service under rates, terms, and conditions that, within the constraints of BPA's applicable policies, are as comparable as possible to what such Annexed Load would have received if the load had not become an Annexed Load. When Seattle has an Annexed Load, this exhibit shall be revised to include estimated monthly HLH and LLH MW in a table below.

(b) **Environmentally Preferred Power**

Seattle may request Environmentally Preferred Power. If available, the Parties shall amend this Agreement to include necessary provisions as mutually agreed.

(c) **Returned Retail Load**

Seattle may request service from PBL to serve Returned Retail Load in time periods where the amount of Block Power originally established in section 4(a)(1) of the body of this Agreement has been reduced due to load loss. The Returned Retail Load amount served by PBL under this Agreement may not exceed the difference between the original amount and the amount established in section 5 of Exhibit C. The Parties shall revise this exhibit to establish monthly HLH and LLH MW for such service in a table below. The table shall identify whether the amounts in the table are deemed to be actual for billing purposes or whether the table is an estimate with bills based on metered amounts. PBL shall provide service within 180 days of the request at rates BPA has established or establishes as applicable to such loads. The rate treatment for such loads shall continue through CY 2006. Rate treatment after CY 2006 shall be determined in a future Rate Case.

(d) **Load Previously Served by Seattle 5(b)(1)(A) and/or 5(b)(1)(B) Resources**

Seattle may request service from PBL to serve load that would otherwise be served by Seattle's Northwest Power Act section 5(b)(1)(A) resources and section 5(b)(1)(B) generating resources and long-term contract resources that are removed consistent with section 4(d) of Exhibit C, Net Requirements. The Parties shall revise this exhibit to establish monthly HLH and LLH MW for such service in a table below. The amounts are deemed to be actual for billing purposes. PBL shall provide service within 180 days of the request at rates BPA has established or establishes as applicable to such loads. The rate treatment for such

loads shall continue through CY 2006. Rate treatment after CY 2006 shall be determined in a future Rate Case.

5. NEW LARGE SINGLE LOADS

- (a) Seattle has no existing NLSL.
- (b) Seattle shall serve any NLSL with resource amounts added consistent with section 4(f) of Exhibit C, Net Requirements, except for amounts served by non-Seattle generating resources, if any, as specified in section 3 of Exhibit C. When Seattle has a NLSL this exhibit shall be revised to include estimated monthly MW amounts in a table below. Any NLSL amounts served by BPA under the NR Rate shall be as specified in section 4(a)(2) of the body of this Agreement.

6. REVISIONS

If this exhibit is inconsistent with BPA's 2002 PF Power Rate Schedule as finally approved by FERC, the Parties shall make a good faith effort to amend this exhibit so that it is consistent.

The Parties shall update this exhibit to reflect necessary changes to establish new rate choices consistent with the applicable future Rate Cases. This shall be done by mutual agreement except as allowed in section 3 of this exhibit.

(SeaPBLAN-PSW/Sea-S:\PM\CUST_SHC\SE\PSC_2000_Pf_Slice\Exh A_Rev#1 - Flexible PF\SePSA_12176_20060707_Exh A_Rev#1_Flexible PF_Final Draft.doc)
mm/dd/yy



**Revision No. 1, Exhibit D
ADDITIONAL PRODUCTS AND SPECIAL PROVISIONS
Effective on October 1, 2006**

This exhibit revision adds section 6, Flexible PF Rate Program, in combination with the Flexible PF Rate Option in Exhibit A.

1. DETERMINATION OF COURT THAT HAS JURISDICTION

In the event that either Party asserts that a matter in dispute is excluded from arbitration pursuant to section 14 of the body of this Agreement, the Parties in good faith will attempt to agree on the court that has jurisdiction over the subject matter of such dispute. If the Parties are unable to agree on which court has jurisdiction over the subject matter of such dispute, upon the written request of Seattle, BPA shall indicate in writing the court that BPA believes has jurisdiction over the subject matter of such dispute.

2. TREATMENT OF FORECAST NEW LARGE SINGLE LOADS (NLSL)

Seattle and BPA have forecast as part of Seattle's Total Retail Load future retail commercial loads, which are being developed within Seattle's distribution service area. BPA has not yet determined whether any such loads constitute NLSLs. In the event that any or all of such forecast loads are subsequently determined to be NLSLs, BPA agrees that Seattle may remove such NLSLs from its net requirement being served with Federal power provided under sections 4(a) and (b) of the body of this Agreement without surcharge or penalty, and without application of section 5(a) of the body of this Agreement to the loads so removed. Seattle may elect to serve any such load that is so determined to be a NLSL by purchasing NLSL Block Power at the then applicable rate pursuant to section 4(a) of the body of this Agreement, or by the use of non-federal power.

3. TREATMENT OF CERTAIN RESOURCES

(a) Priest Rapids Resource

- (1) Seattle currently purchases under contract a portion of the output of the Priest Rapids Hydroelectric Generating Project ("Priest Rapids"), as set forth in section 2 of Exhibit C, Net Requirements. Such contract rights expire on November 30, 2005 and are subject to Seattle's right to renew such purchases. As of the date of execution of this Agreement, the amount of power that may be available to Seattle under this right of renewal, and the price at which it may be offered to Seattle, are unknown. After such time as Seattle has been offered to renew its contract to purchase output from Priest Rapids under terms and conditions which BPA has determined result in the effective loss of Seattle's contract right to purchase Priest Rapids, consistent with BPA's then applicable Section 5(b)9(c) Policy, Seattle may remove all or some portion of Seattle's share of Priest Rapids from section 2 of Exhibit C consistent with section 4(d) of Exhibit C, and increase the



amount of its Block Power purchase consistent with section 4(d) of Exhibit A.

- (2) Load previously served by Priest Rapids that is added pursuant to section 3(a)(1) of this exhibit during the CY 2001 through 2006 period shall be served under the applicable 2002 wholesale power rate schedule. Such load served under this Agreement in the CY 2007 through 2011 period will be subject to the same rate applicable to any other flat annual increase in a public utility's Block purchase as established under section 7(i) of the Northwest Power Act.

(b) **Centralia Thermal Project**

The portion of the output of the Centralia Thermal Project (Centralia), set forth in section 2(b)(21) of Exhibit C, Net Requirements, was formerly owned by Seattle. On May 4, 2000 Seattle sold its ownership share of Centralia. Pursuant to the BPA 5(b)/9(c) Policy in effect when this Agreement was executed, BPA determined that Seattle's former share of Centralia must be included in Exhibit C, Net Requirements in the same manner as if Seattle still owned such portion of Centralia, and that Seattle must supply power in an amount equal to its former ownership share of the output of Centralia.

Notwithstanding anything to the contrary in this Agreement, Seattle will not be required to include in Exhibit C, Net Requirements any capacity and associated energy acquired by Seattle to replace Seattle's former share of the output of Centralia. In the event that the Centralia resource is permanently discontinued because of obsolescence, retirement, or loss of Centralia, consistent with section 5(b)(1) of the Northwest Power Act and applicable BPA policies in effect at the time, the Parties will remove from Exhibit C, Net Requirements, and any successor exhibit, that portion of Seattle's obligation for replacement power for Centralia to the extent that Centralia is lost, retired, or obsolete, as listed in section 2(b)(2) of Exhibit C, Net Requirements on the effective date of this Agreement.

(c) **BPA 5(b)/9(c) Policy**

On the effective date of this Agreement, the BPA 5(b)/9(c) Policy was subject to legal challenge in the 9th Circuit Court of Appeals, the outcome of which may require revisions to Exhibit C of this Agreement.

4. APPLICATION OF EXHIBIT O

Should the events that permit Seattle to utilize the provisions of Exhibit O occur, consistent with the provisions thereof, Seattle will be permitted to increase the amount of its Block Power purchases for the CY 2007 through 2011 period set forth in section 4(a)(1) of the body of this Agreement. Such load served under this Agreement in the CY 2007 through 2011 period will be subject to the same rate applicable to any other flat annual increase in a public utility's Block purchase as established under section 7(i) of the Northwest Power Act.

5. BPA APPROPRIATIONS REFINANCING ACT

In accordance with section 15(g) of the body of this Agreement the following is included in this Agreement.

**BONNEVILLE POWER ADMINISTRATION REFINANCING SECTION
OF THE OMNIBUS CONSOLIDATED
RECISSIONS AND APPROPRIATIONS ACT OF 1996**

16 United States Code Chapter 12G
Act of April 26, 1996, 110 Stat. 1321, 1350
Public Law No. 104-134, H.R. 3019 (S. 1594)

8381. Bonneville Power Administration refinancing

8381(a). Definitions

For the purposes of this section--

8381(a)(1). "Administrator" means the Administrator of the Bonneville Power Administration;

8381(a)(2). "capital investment" means a capitalized cost funded by Federal appropriations that--

8381(a)(2)(A). is for a project, facility, or separable unit or feature of a project or facility;

8381(a)(2)(B). is a cost for which the Administrator is required by law to establish rates to repay to the United States Treasury through the sale of electric power, transmission, or other services;

8381(a)(2)(C). excludes a Federal irrigation investment; and

8381(a)(2)(D). excludes an investment financed by the current revenues of the Administrator or by bonds issued and sold, or authorized to be issued and sold, by the Administrator under section 838k of this title;

8381(a)(3). "new capital investment" means a capital investment for a project, facility, or separable unit or feature of a project or facility, placed in service after September 30, 1996;

8381(a)(4). "old capital investment" means a capital investment the capitalized cost of which--

8381(a)(4)(A). was incurred, but not repaid, before October 1, 1996, and

8381(a)(4)(B). was for a project, facility, or separable unit or feature of a project or facility, placed in service before October 1, 1996;



8381(a)(5). "repayment date" means the end of the period within which the Administrator's rates are to assure the repayment of the principal amount of a capital investment; and

8381(a)(6). "Treasury rate" means--

8381(a)(6)(A). for an old capital investment, a rate determined by the Secretary of the Treasury, taking into consideration prevailing market yields, during the month preceding October 1, 1996, on outstanding interest-bearing obligations of the United States with periods to maturity comparable to the period between October 1, 1996, and the repayment date for the old capital investment; and

8381(a)(6)(B). for a new capital investment, a rate determined by the Secretary of the Treasury, taking into consideration prevailing market yields, during the month preceding the beginning of the fiscal year in which the related project, facility, or separable unit or feature is placed in service, on outstanding interest-bearing obligations of the United States with periods to maturity comparable to the period between the beginning of the fiscal year and the repayment date for the new capital investment.

[P.L. 104-134, Title III, § 3201, 110 Stat. 1321-350.]

8381(b). New principal amounts

8381(b)(1). Principle amount

Effective October 1, 1996, an old capital investment has a new principal amount that is the sum of--

8381(b)(1)(A). the present value of the old payment amounts for the old capital investment, calculated using a discount rate equal to the Treasury rate for the old capital investment; and

8381(b)(1)(B). an amount equal to \$ 100,000,000 multiplied by a fraction whose numerator is the principal amount of the old payment amounts for the old capital investment and whose denominator is the sum of the principal amounts of the old payment amounts for all old capital investments.

8381(b)(2). Determination

With the approval of the Secretary of the Treasury based solely on consistency with this section, the Administrator shall determine the new principal amounts under subsection (b) and the assignment of interest rates to the new principal amounts under subsection (c).

8381(b)(3). Old payment amounts

For the purposes of this subsection, "old payment amounts" means, for an old capital investment, the annual interest and principal that the Administrator would have paid to the United States Treasury from October 1, 1996, if this section had not been enacted, assuming that--

8381(b)(3)(A). the principal were repaid--

8381(b)(3)(A)(i). on the repayment date the Administrator assigned before October 1, 1994, to the old capital investment, or

8381(b)(3)(A)(ii). with respect to an old capital investment for which the Administrator has not assigned a repayment date before October 1, 1994, on a repayment date the Administrator shall assign to the old capital investment in accordance with paragraph 10(d)(1) of the version of Department of Energy Order RA 6120.2 in effect on October 1, 1994; and

8381(b)(3)(B). interest were paid--

8381(b)(3)(B)(i). at the interest rate the Administrator assigned before October 1, 1994, to the old capital investment, or

8381(b)(3)(B)(ii). with respect to an old capital investment for which the Administrator has not assigned an interest rate before October 1, 1994, at a rate determined by the Secretary of the Treasury, taking into consideration prevailing market yields, during the month preceding the beginning of the fiscal year in which the related project, facility, or separable unit or feature is placed in service, on outstanding interest-bearing obligations of the United States with periods to maturity comparable to the period between the beginning of the fiscal year and the repayment date for the old capital investment.

[P.L. 104-134, Title III, § 3201, 110 Stat. 1321-350.]

8381(c). Interest rate for new principle amounts

As of October 1, 1996, the unpaid balance on the new principal amount established for an old capital investment under subsection (b) bears interest annually at the Treasury rate for the old capital investment until the earlier of the date that the new principal amount is repaid or the repayment date for the new principal amount.

[P.L. 104-134, Title III, § 3201, 110 Stat. 1321-350.]

8381(d). Repayment dates

As of October 1, 1996, the repayment date for the new principal amount established for an old capital investment under subsection (b) is no earlier than the repayment date for the old capital investment assumed in subsection (b)(3)(A).

[Pub.L. 104-134, Title III, § 3201, 110 Stat. 1321-350.]

8381(e). Prepayment limitations

During the period October 1, 1996, through September 30, 2001, the total new principal amounts of old capital investments, as established under subsection (b), that the Administrator may pay before their respective repayment dates shall not exceed \$ 100,000,000.

[P.L. 104-134, Title III, § 3201, 110 Stat. 1321-350.]

8381(f). Interest rates for new capital investments during construction

8381(f)(1). New capital investment

The principal amount of a new capital investment includes interest in each fiscal year of construction of the related project, facility, or separable unit or feature at a rate equal to the one-year rate for the fiscal year on the sum of--



8381(f)(1)(A). construction expenditures that were made from the date construction commenced through the end of the fiscal year, and

8381(f)(1)(B). accrued interest during construction.

8381(f)(2). Payment

The Administrator is not required to pay, during construction of the project, facility, or separable unit or feature, the interest calculated, accrued, and capitalized under subsection (f)(1).

8381(f)(3). One year rate

For the purposes of this section, "one year rate" for a fiscal year means a rate determined by the Secretary of the Treasury, taking into consideration prevailing market yields, during the month preceding the beginning of the fiscal year, on outstanding interest-bearing obligations of the United States with periods to maturity of approximately one year.

8381(g). Interest rates for new capital investments

The unpaid balance on the principal amount of a new capital investment bears interest at the Treasury rate for the new capital investment from the date the related project, facility, or separable unit or feature is placed in service until the earlier of the date the new capital investment is repaid or the repayment date for the new capital investment.

[P.L. 104-134, Title III, § 3201, 110 Stat. 1321-350.]

8381(h). Omitted

8381(i). Contract provisions

In each contract of the Administrator that provides for the Administrator to sell electric power, transmission, or related services, and that is in effect after September 30, 1996, the Administrator shall offer to include, or as the case may be, shall offer to amend to include, provisions specifying that after September 30, 1996--

8381(i)(1). the Administrator shall establish rates and charges on the basis that--

8381(i)(1)(A). the principal amount of an old capital investment shall be no greater than the new principal amount established under subsection (b);

8381(i)(1)(B). the interest rate applicable to the unpaid balance of the new principal amount of an old capital investment shall be no greater than the interest rate established under subsection (c);

8381(i)(1)(C). any payment of principal of an old capital investment shall reduce the outstanding principal balance of the old capital investment in the amount of the payment at the time the payment is tendered; and



8381(i)(1)(D). any payment of interest on the unpaid balance of the new principal amount of an old capital investment shall be a credit against the appropriate interest account in the amount of the payment at the time the payment is tendered;

8381(i)(2). apart from charges necessary to repay the new principal amount of an old capital investment as established under subsection (b) and to pay the interest on the principal amount under subsection (c), no amount may be charged for return to the United States Treasury as repayment for or return on an old capital investment, whether by way of rate, rent, lease payment, assessment, user charge, or any other fee;

8381(i)(3). amounts provided under section 1304 of title 31, United States Code, shall be available to pay, and shall be the sole source for payment of, a judgment against or settlement by the Administrator or the United States on a claim for a breach of the contract provisions required by this Part; and

8381(i)(4). the contract provisions specified in this Part do not--

8381(i)(4)(A). preclude the Administrator from recovering, through rates or other means, any tax that is generally imposed on electric utilities in the United States, or

8381(i)(4)(B). affect the Administrator's authority under applicable law, including section 7(g) of the Pacific Northwest Electric Power Planning and Conservation Act (16 U.S.C. §839e(g)), to--

8381(i)(4)(B)(i). allocate costs and benefits, including but not limited to fish and wildlife costs, to rates or resources, or

8381(i)(4)(B)(ii). design rates.
[P.L. 104-134, Title III, §3201, 110 Stat. 1321-350.]

8381(j). Savings provisions

8381(j)(1). Repayment

This subchapter does not affect the obligation of the Administrator to repay the principal associated with each capital investment, and to pay interest on the principal, only from the "Administrator's net proceeds," as defined in section 838k(b) of this title.

8381(j)(2). Payment of capital investment

Except as provided in subsection (e), this section does not affect the authority of the Administrator to pay all or a portion of the principal amount associated with a capital investment before the repayment date for the principal amount.

[P.L. 104-134, Title III, §3201, 110 Stat. 1321-350.]
[End BPA Appropriations Refinancing Act.]



6. FLEXIBLE PF RATE PROGRAM

(a) **Term**

This Flexible PF Rate Program section shall be effective October 1, 2006 through September 30, 2009. All liabilities are preserved until satisfied.

(b) **Seattle's Responsibility**

By August 25, 2006, Seattle shall establish and deliver to BPA an irrevocable standby letter of credit (LOC) with a term through September 30, 2009, that is acceptable to BPA, with BPA named as the sole beneficiary, issued by a bank or other financial institution with a credit rating of A- or higher as established by Standard and Poor's or an equivalent credit rating from another rating agency that is acceptable to BPA. The LOC shall be issued in an amount equal to 16,500,000 dollars. The LOC shall be made available for draws by BPA at sight for nonpayment of a Flexible PF Charge on a Power Bill. "Flexible PF Charge" and "Power Bill" are defined in the Flexible PF Rate Option - Flexible PF Rate Program section of Exhibit A.

Seattle shall provide PBL the amount of the bank or financial institution's fees charged to Seattle for establishing and maintaining the LOC.

(c) **PBL's Responsibility**

PBL shall reimburse Seattle for the bank or financial institution's fees for establishing and maintaining the LOC up to an amount equal to one percent per year of the face value of the LOC. In the first year, these fees may include legal fees for bank and outside legal counsel for Seattle, associated with the establishment of the LOC. This reimbursement shall be paid as a credit applied to Seattle's Power Bill.

(d) **Flexible PF Discount**

PBL shall calculate a Flexible PF Discount amount according to the following formula:

$$\text{Flexible PF Discount} = \frac{\text{Total Flexible PF Obligation Amount as of the end of the immediately preceding month}}{\text{Liquidity Compensation Rate}} \times \frac{e}{12}$$

The Liquidity Compensation Rate shall be calculated according to the following formula:

$$\text{Liquidity Compensation Rate} = \frac{(C_o \times D_T) + (C_{LOC} \times D_{LOC}) + (C_c \times D_c)}{C}$$

Where:



C_0 = amount of the Flexible PF Charge paid by Seattle from other sources apart from the LOC or a Seattle maintained line of credit

C_{LOC} = amount of the Flexible PF Charge paid from the LOC

C_C = amount of the Flexible PF Charge paid with funds that Seattle has certified as being drawn under a line of credit

C = total amount of the Flexible PF Charge

D_T = annualized interest rate then currently earned by BPA from the U.S. Treasury on the cash balances in the Bonneville Fund, plus 50 basis points

D_{LOC} = Seattle's LOC annualized interest rate plus 50 basis points,

D_C = Seattle's line of credit annualized interest rate, not to exceed the LOC annualized interest rate, plus 50 basis points

(e) **Non-Payment of Flexible PF Charge**

If Seattle does not pay in full a Power Bill that includes a Flexible PF Charge by the Due Date of the Power Bill, BPA may draw down the LOC up to the amount of the unpaid Flexible PF Charge. To the extent that a Power Bill that includes a Flexible PF Charge is paid from the LOC within three business days from the date of demand by BPA, the late payment charges described in the Billing and Payment section of the body of this Agreement shall not apply.

7. REVISIONS

This exhibit shall be revised by mutual agreement of the Parties to reflect additional products Seattle purchases during the term of this Agreement.

(SeaPBLAN-PSW/Sea-S:\PM\CUST_SHC\SE\PSC_2000_Pf_Slice\Exh D_Rev#1 - Flexible PF\SePSA_12176_20060707_Exh D_Rev#1_Flexible PF_Final Draft.doc)
mm/dd/yy



LETTER OF CREDIT

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER: XXXXXXX

BANK OF AMERICA - CONFIDENTIAL

DATE: AUGUST _____, 2006

BENEFICIARY:

Administrator of the Bonneville Power
Administration
[ADDRESS]

APPLICANT:

City of Seattle - City Light Department
700 Fifth Avenue, Suite 3300
Seattle, WA 98104-5031
Attention: Superintendent

AMOUNT:

NOT EXCEEDING SIXTEEN MILLION FIVE
HUNDRED THOUSAND AND NO/100 U.S.
DOLLARS (\$16,500,000.00)

EXPIRATION:

September 30, 2009 AT OUR COUNTERS

We (the "Issuing Bank") hereby establish this irrevocable standby letter of credit in favor of the aforesaid beneficiary ("Beneficiary") for drawings up to U.S. \$16,500,000.00, effective immediately, for the account of the City of Seattle - City Light Department. This letter of credit is issued, presentable and payable at our office at 1000 West Temple Street, 7th Floor, Mail Code: CA9-705-07-05, Los Angeles, California 90012-1514, Attn: Standby Letter of Credit Dept., and expires with our close of business on September 30, 2009.

We hereby undertake to promptly honor your sight draft(s) drawn on us, indicating our credit no. XXXXXXX, for all or any part of this credit if presented at our office specified in the first paragraph hereof on or before the expiration date set forth above, accompanied by this original Letter of Credit, together with a certificate signed by a purported authorized representative of the Beneficiary, in the form of Annex A attached hereto.

Except as expressly stated herein, this undertaking is not subject to any agreement, condition or qualification. The obligation of the Issuing Bank under this letter of credit is the individual obligation of the Issuing Bank, and is in no way contingent upon reimbursement with respect thereto.

This credit is subject to and governed by the laws of the State of Washington, and the International Chamber of Commerce International Standby Practices, Publication No. 590 (1998 Revision) and in the event of any conflict, the laws of the State of Washington will control.

Very truly yours,

BANK OF AMERICA, N.A.

By: _____
Name:
Title:



Annex A

[Letterhead of Beneficiary]

DRAWING CERTIFICATE

[Date]

Bank of America, N.A.
Trade Operation Center
Mail Code CA9-705-07-05
Standby Letter of Credit Department
1000 West Temple Street, 7th Floor
Los Angeles, California 90012-1514

Re: Irrevocable Letter of Credit No. XXXXXX

Ladies and Gentlemen:

The Applicant of the above-referenced Letter of Credit, City of Seattle - City Light Department has not paid when due a Power Bill that includes a Flexible PF Charge under and as those terms are defined in Amendment No. 8 of Contract No. 00B-12176 between the Beneficiary and the Applicant. As a result, the Beneficiary is entitled to draw the amount drawn.

The undersigned is an authorized representative of the Beneficiary.

Very truly yours,

BONNEVILLE
ADMINISTRATION

POWER

By: _____
Authorized Representative



REIMBURSEMENT AGREEMENT

Between

THE CITY OF SEATTLE

And

BANK OF AMERICA, N.A.

Dated as of August ___, 2006



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REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT ("Agreement") is made by and between the City of Seattle, Washington, a first class charter city and municipal corporation duly organized and existing under the Constitution and laws of the State of Washington ("the City"), acting by and through its City Light Department, and Bank of America, N.A., a national banking association (including its successors and/or assigns, "the Bank"). The parties agree as follows:

RECITALS:

A. The City requests that the Bank issue the Letter of Credit (as defined below) to meet the City's requirements under the Flexible PF Rate Program with the Bonneville Power Administration.

B. The City and the Bank desire to provide for payment of certain sums in consideration for the issuance of the Letter of Credit, to provide for reimbursement by the City of payments which may be made by the Bank under the Letter of Credit, and provide for certain other terms and conditions with respect to the issuance of the Letter of Credit by the Bank. The Bank will issue the Letter of Credit in reliance upon this Agreement and upon the City's pledge of the Net Revenue of the Light System, subject to the pledge of certain other Light System obligations.

BASED on these recitals, and to induce the Bank to issue the Letter of Credit, the City and the Bank agree as follows:

Article 1 Definitions

1.1 General Provisions. All terms defined below shall have the meaning indicated. All interest and fees payable on a per annum basis with regard to this Agreement shall be calculated on the basis of actual number of days elapsed over a year of 360 days, unless otherwise indicated. All references in this Agreement to:

(a) "Dollars" or "\$" means U.S. dollars.

(b) "Article," "Section," or "Subsection" means articles, sections, and subsections of this Agreement, unless otherwise indicated.

(c) Terms defined in the Washington version of the Uniform Commercial Code, R.C.W. §62A.9A-101, *et seq.* ("UCC"), and not otherwise defined in this Agreement, shall have the meaning given in the UCC.

(d) An accounting term not otherwise defined in this Agreement shall have the meaning assigned to it under GAAP.

(e) All capitalized terms not otherwise defined in this Agreement shall have the meaning given in the 2006 Ordinance.

1.2 Annual Debt Service has the meaning given in the Bond Ordinance.

1.3 Authorized Representative means the Chief Financial Officer of the Light System, or any person at the time designated to act on behalf the City for purposes of this Agreement by written certificate furnished to the Bank containing the specimen signature of such person.

1.4 Beneficiary means the United States of America Department of Energy, acting by and through the Administrator of the Bonneville Power Administration.

1.5 Bond Fund means the "Light Fund" as defined in the Bond Ordinance.

1.6 Bond Ordinance means, collectively, (a) Ordinances 121941, 121637, 121198, 120931, 120274, 120131, 119141, 118744, and 118745 of the City, as they have been amended and supplemented, and other ordinances and resolutions of the City authorizing and providing the terms and conditions of the bonds issued on a parity with the bonds authorized by Ordinance 121941, and (b) Ordinances 115347, 115850, 116891, 118283, and other ordinances and resolutions authorizing and providing the terms and conditions of adjustable rate bonds issued on a parity with the bonds authorized by Ordinance 115347.



1.7 Bonds has the meaning given in the Bond Ordinance, and shall also include reimbursement obligations in connection with credit enhancement or liquidity facilities obtained with respect to Bonds.

1.8 BPA Contract means the Light System's Power Sales Agreement(s) with the Beneficiary, as it may be amended from time to time.

1.9 Business Day means any day other than a Saturday, Sunday, or other day on which commercial banks in Washington, are authorized or required by law to close.

1.10 Closing Date means the date upon which all the conditions of Sections 4.1 through 4.9 have been satisfied.

1.11 Default Rate means the Prime Rate per annum (computed on the basis of actual number of days elapsed over a year of 360 days).

1.12 Drawing means a drawing made by the Beneficiary under the Letter of Credit.

1.13 Expiration Date means the last day on which the Letter of Credit may be drawn, which shall be September 30, 2009.

1.14 Financing Documents means this Agreement and the 2006 Ordinance.

1.15 Fiscal Year means each fiscal year of the City.

1.16 Future Parity Bonds has the meaning given in each ordinance or resolution collectively constituting the Bond Ordinance.

1.17 GAAP means generally accepted accounting principles for governmental entities as in effect from time to time in the United States, including official interpretations issued by the Governmental Accounting Standards Board, and as consistently applied by the City.

1.18 Gross Revenues has the meaning given in the Bond Ordinance.

1.19 Letter of Credit means Irrevocable Letter of Credit No. XXXXXXXX to be issued by the Bank for the City's account, to the Beneficiary, which shall be issued in the stated amount of \$16,500,000.

1.20 Letter of Credit Balance means the total outstanding liability of the Bank at any given time under the Letter of Credit.

1.21 Light System has the meaning given in the Bond Ordinance.

1.22 Net Revenue means Gross Revenues, subject to maintenance and operations of the Light System and subject and subordinate to the pledge and charge on such Gross Revenues of the Bonds.

1.23 Obligations means the City's reimbursement obligations under this Agreement, and all other fees, costs, expenses, interest, and other payments due to the Bank under this Agreement.

1.24 Participant shall have the meaning given in Section 9.7.

1.25 Prime Rate means the rate of interest publicly announced from time to time by the Bank as its Prime Rate. The Prime Rate is set by the Bank based on various factors, including the Bank's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans. The Bank may price loans to its customers at, above, or below the Prime Rate. Any change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of a change in the Bank's Prime Rate.

1.26 Reimbursement Obligation(s) means the City's obligation to reimburse the Bank (with interest, if applicable) for each Drawing made under the Letter of Credit.

1.27 2006 Ordinance means Ordinance _____ of the City, adopted July ____, 2006.

Article 2 Letter of Credit

2.1 Issuance. Upon the City's satisfaction of all conditions precedent contained in Sections 4.1 through 4.9 of this Agreement, the Bank shall issue, at the request of the City, the Letter of



Credit, in a total available amount specified by the City not to exceed \$16,500,000, subject to the terms and conditions of this Agreement.

2.2 Rights of Parties. The rights and obligations of the City as account party and the Bank as issuer of the Letter of Credit, as to matters not referred to in this Agreement, shall be governed by, and construed in accordance with, the International Chamber of Commerce International Standby Practices, Publication No. 590 (1998 Revision) and, to the extent not inconsistent therewith, the laws of the State of Washington.

Article 3 Reimbursement and Other Payments

3.1 Amounts Payable to the Bank. The City shall make the following payments to the Bank:

(a) The City shall pay to the Bank a processing fee of \$400 and a courier fee of \$30 on the Closing Date; a draw fee of \$250, payable at the time of each drawing made under the Letter of Credit; and for all amendments and other transactions with regard to the Letter of Credit, transaction fees determined in accordance with Bank's standard fee schedule applicable to all Bank customers, as such schedule may vary from time to time, payable upon demand;

(b) The City shall pay to the Bank a fee per annum for the Letter of Credit equal to 0.25% of the Letter of Credit Balance as determined on the fee payment date. The fee shall be prorated and paid quarterly in advance, on the Closing Date and on the first day of each October, January, April, and July, beginning October 1, 2006.

(c) The City shall reimburse the Bank for all Drawings. Reimbursement shall be made no later than 330 days from the date the Bank pays such Drawing. The City may reimburse the Bank for all or any portion of any Drawing on any earlier date, without premium or penalty. The City shall pay all accrued interest on each unreimbursed Drawing in arrears on the last Business Day of each calendar quarter, and upon reimbursement in full of such Drawing. The City shall pay interest on any unreimbursed Drawing from the date of each such Drawing until such Drawing is reimbursed in full, at a floating interest rate (computed on the basis of actual number of days elapsed over a year of 360 days), equal to the Prime Rate minus 2.0% per annum for the first 330 days following the payment of such Drawing, and, thereafter (regardless of whether the Bank has exercised its Default remedies), equal to the Default Rate.

(d) The City shall within 30 days after receipt of a written demand by the Bank reimburse the Bank for any costs, expenses, reasonable attorneys' fees, or other charges due to the Bank under this Agreement. The City shall pay, commencing 30 days after receipt of a written demand by the Bank, interest on all such amounts from the date such amounts become payable until payment in full, at a floating interest rate per annum equal to the Default Rate.

3.2 Increased Costs. If any change in any law or regulation or in the interpretation thereof by any court or administrative or governmental authority charged with the administration thereof shall become effective after the date of this Agreement, which shall either:

(a) Impose, modify, or deem applicable any reserve, special deposit, or similar requirement against letters of credit issued by the Bank, including the Letter of Credit; or

(b) Impose on the Bank any other condition regarding this Agreement or the Letter of Credit;

and the result of any event referred to in Section 3.2(a) or (b) shall be to materially increase the cost to the Bank of issuing or maintaining the Letter of Credit, which increase in cost (including, without limitation, reserve or other similar costs) shall be the result of the Bank's reasonable allocation among all outstanding letters of credit of the aggregate of such cost increases resulting from such event, then the accrual of the Letter of Credit Fee may be recalculated prospectively in amounts which shall be sufficient to compensate the Bank for such increased cost. A certificate as to such increased cost, in reasonable detail, incurred by the Bank as a result of any event mentioned in Section 3.2(a) or (b), shall be submitted by the Bank to the City. The Bank shall notify the City in writing of any increased costs pursuant to this Section 3.2 at least 90 days before the effective date of any such cost increases.



Article 4 Conditions Precedent

Each of the following conditions shall have been satisfied before the Bank shall be obligated to issue the Letter of Credit:

4.1 Authorization. The City shall have delivered to the Bank, together with appropriate certificates of incumbency, a certified copy of the 2006 Ordinance, which shall be in form and substance satisfactory to the Bank:

(a) authorizing the transactions contemplated by this Agreement, the execution, delivery, and performance of this Agreement and Amendment No. ___ to the BPA Contract; and

(b) pledging the Net Revenue to secure the Obligations.

4.2 Representations. The representations made by the City in the Financing Documents and in any certificate or financial statement delivered by the City to the Bank shall continue to be true and correct, except to the extent that such representations expressly relate to an earlier date.

4.3 BPA Contract. The City shall have provided to the Bank copies of all documents to be executed between the City and the Beneficiary in connection with this Letter of Credit.

4.4 Compliance. No Default or other event which, upon notice or lapse of time or both would constitute a Default, shall have occurred and be continuing.

4.5 Opinion of Bond Counsel. Delivery to the Bank of a favorable opinion of counsel for the City, Foster Pepper PLLC, in form and substance satisfactory to the Bank (a) opining to the validity of the execution and delivery by the City of this Agreement, and its enforceability against the City (subject to customary exclusions regarding rules of equity and insolvency and by limitations on remedies against municipal corporations under the laws of the State of Washington), (b) opining that the City has the authority to execute and perform its obligations under the Financing Documents and the BPA Contract and to own and operate the Light System, and (c) opining that the 2006 Ordinance was duly adopted and that this Agreement constitutes a legally binding obligation of the City, payable from the Net Revenue of the Light System.

4.6 Opinion of the City's Counsel. Delivery to the Bank of a favorable opinion of Foster Pepper PLLC, the City Attorney, or an Assistant City Attorney of the City, in form and substance satisfactory to the Bank, opining that (subject to customary exclusions regarding rules of equity and insolvency and by limitations on remedies against municipal corporations under the laws of the State of Washington):

(a) to the knowledge of such attorney, execution and delivery by the City of, and compliance by the City with, the provisions of the Financing Documents will not result in a violation of, a breach of, or a default under the BPA Contract or under any statute, indenture, mortgage, deed of trust, note agreement, other agreement or instrument to which the City is a party or by which it is bound, or any order, rule or regulation of any court or other governmental body having jurisdiction over the City, which violation, breach or default would have a material adverse effect on the City's ability to perform its obligations under the Financing Documents.

(b) to the knowledge of such attorney, except as has been disclosed in writing to the Bank or as reflected in the 2005 Fiscal Year audited financial statements of the Light System provided to the Bank, there is no action, suit, proceeding, inquiry, or investigation by or before any court, governmental agency, public board, or body pending (with process properly served on the City) or legislation signed into law, which may materially adversely affect the financial condition of the Light System or the performance of its obligations under the Financing Documents or the BPA Contract.

4.7 Litigation. Except as otherwise disclosed in writing to the Bank prior to the Closing Date or as reflected in the 2005 Fiscal Year audited financial statements of the City provided to the Bank, there are no actions, suits or proceedings with process properly served upon the City in any court, or before or by any federal, state or municipal or other governmental department, commission, board, bureau, agency or other instrumentality, domestic or foreign: (a) in any way questioning the corporate existence of the City or titles of the officers of the City to their respective offices; (b) affecting or seeking to prohibit, restrain, or enjoin the enforcement of this Agreement or the collection of Gross Revenues pledged or to



be pledged to pay the Obligations, (c) in any way contesting or affecting the validity of the Bond Ordinance or the 2006 Ordinance, or (d) which may result in any material adverse change relating to the financial condition of the Light System.

4.8 No Adverse Change. Subsequent to December 31, 2005, the City has not incurred any liabilities or obligations, direct or contingent, that are prohibited by this Agreement, and there has not been any increase in the aggregate amount of Light System indebtedness of the City greater than \$10,000,000 (except as otherwise permitted under this Agreement), or any change in the financial condition of the City, except for changes arising in the ordinary course of business or as may have been otherwise disclosed in writing to the Bank prior to the Closing Date.

4.9 Fees. The City shall have paid to the Bank (a) fees payable on the Closing Date pursuant to Section 3.1; and (b) all costs, expenses, and legal fees then required to be paid pursuant to Section 9.3.

Article 5 Representations

To induce the Bank to enter into this Agreement, the City represents and covenants to the Bank as follows:

5.1 Financial Information. By submitting each of the financial statements required by Section 6.1, the City is deemed to represent that: (a) such statement is complete, if an annual statement, and correct as of the date of such statement; (b) such statement, if an annual statement, discloses all liabilities of the City relating to the Light System that are required to be reflected or reserved against under GAAP, whether liquidated or unliquidated, fixed or contingent; and (c) such statement, if an annual statement, has been prepared in accordance with GAAP.

5.2 Misrepresentations. To the best knowledge of the City employees or representatives working on the matters that are the subject of this Agreement, no information, exhibits, data, or reports furnished by the City or delivered to the Bank in connection with the City's application for credit misstates any material fact, or omits any fact necessary to make such information, exhibits, data, or reports, considered together, not materially misleading.

5.3 No Default. The City is not in default of any Financing Document, or in default of the BPA Contract or any other material contract, agreement, or instrument to which it is a party and relating to the Light System.

5.4 Filing of Returns; Payment of Taxes. The City has filed or caused to be filed all tax returns that are currently required to have been filed by the City; and has timely paid all taxes, assessments, fees, licenses, excise taxes, franchise taxes, governmental liens, penalties, and other charges levied or assessed against the Light System or any of the Light System's property or component units imposed on it by any governmental authority, agency, or instrumentality that are due and payable (other than those returns or payments of which the amount, enforceability, or validity are contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP are provided on the City's books).

Article 6 Covenants

As long as this Agreement is in effect, or the Letter of Credit is outstanding, or any Obligations remain unpaid, the City shall:

6.1 Financial and Other Records. At all times maintain financial records and furnish to the Bank the following financial and other records:

(a) Within seven months after the end of each Fiscal Year, a copy of audited financial statements for the Light System.

(b) Within 45 days after the beginning of the fiscal biennium being budgeted, a budget for the new fiscal biennium of the Light System.



(c) Notification in writing forthwith of the occurrence of any Default, or any default under the Financing Documents or the BPA Contract by the City or the Light System, as the case may be, or of any pending litigation with respect to the Light System or the management or operation of the Light System the existence of which would cause the representations set forth in Section 4.7 to be untrue or inaccurate in any material respect if such representation were made by the City on the date such litigation was commenced.

(d) Upon request by Bank, a copy of any offering memoranda or official statements distributed during such Fiscal Year with respect to any obligations issued by the City in which the Gross or Net Revenue is pledged.

6.2 Other Information. Furnish to the Bank, as the Bank may reasonably request, such additional financial information concerning the City in order to enable the Bank to determine whether the covenants, terms, and provisions of the Financing Documents have been complied with by the City, and for that purpose all pertinent books, documents, and vouchers relating to the City's business, affairs, and properties and not permitted to be kept confidential by the City pursuant to R.C.W. §42.17.250 *et seq.* shall at all reasonable times during regular business hours and upon three Business Days' prior notice be open to the inspection of such accountants or other agents (who may make copies of all or any part thereof at their own cost and expense) as shall from time to time be designated by the Bank. The Bank shall not divulge any information it may receive to any other person or entity, other than to its agents and employees; any financial institution to which it may assign any interest pursuant to Section 9.7; any auditors or examiners of the Bank; and any other person or entity to whom the Bank is required by law to provide such information. Without limiting the foregoing, upon three Business Days' prior notice the City will permit the Bank to visit and inspect any of the properties of the City during regular business hours and to discuss the affairs, finances, and accounts of the City with its officials and any accounting firm performing services for the City, as often as the Bank may reasonably request. Notwithstanding anything in this Section 6.2 to the contrary, if a Default shall occur and be continuing, the Bank may review such books and records, make such inspections, copy such information, and enter into such discussions with the City's officials and accountants as the Bank may deem necessary or desirable all upon one Business Day's prior notice to the City or any other person or entity.

6.3 Rate Covenant. Establish, maintain, and collect rates and charges for electric energy, services, facilities, and commodities sold, furnished, or supplied through the facilities of the Light System consistent with the covenants in Section 18(d) of the City's Ordinance 121941.

6.4 Covenant to Maintain the Light System in Good Condition. At all times maintain, preserve and keep, or cause to be maintained, persevered and kept, the properties of the Light System and all additions and betterments thereto consistent with the covenants in Section 18(d) of Ordinance 121941.

6.5 Compliance With Obligations. Observe and comply in all material respects with all of its obligations arising in connection with the Financing Documents and all applicable laws, ordinances, rules or regulations of the State of Washington applicable to the City relating to the Letter of Credit.

6.6 Licenses, Permits, Etc. Take all necessary and appropriate action to ensure the continuance in force of all material consents, licenses, permits, orders, decrees, approvals, authorizations, registrations, and filings obtained or made in connection with the Financing Documents or the BPA Contract, or to authorize the execution, delivery, and performance by the City of the Financing Documents or the BPA Contract, and all other agreements to be delivered in connection with any thereof.

6.7 Books and Records. Keep or cause to be kept proper records and books of account with respect to the City and the management and operation of the Light System consistent with the covenants in Section 18(f) of Ordinance 121941.

6.8 Other Matters. Execute and deliver to the Bank all such documents and instruments, and do all such acts and things, as may be necessary or reasonably required by the Bank to enable the Bank to exercise and enforce its rights under this Agreement and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or reasonably required by the Bank to validate, preserve, and protect the lien of the Bank under this Agreement and the 2006 Ordinance.

6.9 Maintenance of Insurance. Maintain, or cause to be maintained, commercially adequate levels of coverage of insurance (including self-insurance or pool insurance) on the Light System



with responsible and reputable insurance companies (with respect to commercial insurance), including, without limitation, property insurance, liability insurance, and such other insurance as may be required by law.

6.10 Future Parity Bonds. Not issue Future Parity Bonds except in compliance with the terms of the Bond Ordinance.

6.11 Other Obligations. Not, without the consent of the Bank, issue other obligations other than: (a) Future Parity Bonds secured by a pledge of the Gross Revenues, issued consistent with the term of the applicable ordinances and resolutions constituting the Bond Ordinance, and (b) no more than \$30,000,000 total of notes, conditional sales agreements, lease-purchase agreements, or similar instruments secured by a pledge of the Net Revenue, issued or entered into for the purpose of acquiring or financing vehicles, equipment, or tools and which instruments may be issued or entered into on a parity with the Obligations.

6.12 Compliance With Laws. Not violate any law, rule, regulation, or governmental order to which it is subject, if such violation could adversely affect its financial condition, business, or results of operations or its ability to perform its obligations under the Financing Documents or the BPA Contract.

Article 7 Security for the Obligations

The Obligations shall be special limited obligations of the City payable from and secured solely by the Net Revenue. The Obligations are not general obligations of the City.

Article 8 Events and Consequences of Default

8.1 Events of Default. Any of the following events shall, at the option of the Bank and at any time without regard to any previous knowledge on the part of the Bank, constitute a default by the City under the terms of this Agreement ("Default"):

(a) Payments/Reimbursements. The City shall fail to pay any amount due to the Bank under this Agreement, or fail to reimburse the Bank immediately upon demand for any preferential payment voided by a bankruptcy court, or fail to make any other payment or reimbursement when due or demanded under this Agreement, within 10 days of receipt of a notice of the failure to make such payment or reimbursement at the time specified in this Agreement.

(b) Breach of Representation. Any representation made by the City pursuant to this Agreement or any other Financing Document, or any certificate, notice, or report furnished by the City to the Bank pursuant hereto, is determined by the Bank to be materially false when made, and is relied upon by the Bank to its detriment.

(c) Failure to Perform. Any other material term, covenant, or agreement contained in any Financing Document or the BPA Contract is not performed or satisfied by the City, and, if remediable, such failure continues unremedied for 30 days after written notice thereof has been given to the City by the Bank.

(d) Pledges. Any pledge of Net Revenue is held to be unenforceable by a court of competent jurisdiction.

(e) Financing Documents. Any of the Financing Documents shall cease to be valid and binding upon the City.

(f) Defaults on Other Obligations. There exists a default in the Bond Ordinance, or in the performance of any other debt obligation of or with respect to the Light System, which, together with all such other defaulted obligations, exceeds \$30,000,000; *provided* that such default shall only constitute a Default under this Agreement if the defaulted obligation is not discharged, or the default cured, or adequate reserves established for the discharge of such defaulted obligation, with 30 days of the commencement of such default.



(g) Operation of Law. By operation of law, the Obligations shall cease to be obligations of the City, regardless of whether the Obligations thereby become obligations of a different governmental entity.

(h) Insolvency. Any proceeding under the laws of any jurisdiction relating to receivership, insolvency, or bankruptcy, whether brought voluntarily or involuntarily by or against the City, including, without limitation, any reorganization of assets, deferment or arrangement of debts, or any similar proceeding, is commenced and, if such proceeding is involuntarily brought against the City, it is not dismissed within 60 days.

8.2 Remedies Upon Default. If any Default occurs and is continuing, the Bank may, upon one Business Day's notice to the City, exercise the following Default remedies:

(a) Default Rate. Declare that any unpaid Obligations shall immediately begin to accrue interest at the Default Rate.

(b) All Remedies. Exercise any or all rights provided or permitted by law in such order and in such manner as the Bank may, in its sole judgment, determine.

All of the Bank's rights and remedies in all Financing Documents shall be cumulative and can be exercised separately or concurrently.

Article 9 Miscellaneous

9.1 Manner of Payments.

(a) Payments on Nonbusiness Days. Whenever any event is to occur or any payment is to be made under this Agreement on any day other than a Business Day, such event may occur or such payment may be made on the next succeeding Business Day and such extension of time shall be included in computation of interest in connection with any such payment.

(b) Payments. All payments and prepayments to be made by the City to the Bank under this Agreement shall be made to the Bank when due, at the Bank's office as may be designated by the Bank, without offsets or counterclaims for any amounts claimed by the City to be due from the Bank, in U.S. dollars and in immediately available funds.

(c) Application of Payments. All payments made by the City to the Bank under this Agreement shall be applied first against fees and expenses due; second, against interest due; and third, against principal, with the Bank having the right, after a Default which is continuing, to apply any payments or collections received against any one or more of the Obligations in any manner which the Bank may choose.

(d) Recording of Payments. The Bank is authorized to record on a schedule or computer-generated statement the date and amount of any payments of fees, principal, and/or interest. All such schedules or statements shall constitute *prima facie* evidence of the accuracy of the information so recorded.

9.2 Notices. All notices, requests, demands, and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) upon delivery by hand (against receipt), or (b) three days after such notice, request, demand, or other communication is delivered to a U.S. Post Office certified mail (against receipt) or by regular mail (upon receipt) to the party and at the address set forth below or at such other address as a party may designate by written notice:



Bank:

Bank of America, N.A.
Government Banking
WA1-501-34-03
800 Fifth Avenue, 34th Floor
Seattle, WA 98104

City:

City of Seattle - City Light Department
700 Fifth Avenue
Seattle, WA 98104-5031
Attention: Chief Financial Officer

9.3 Documentation and Administration Expenses. The City shall pay and/or reimburse the Bank for all of the Bank's reasonable costs and expenses, including, without limitation, the Bank's attorney's fees and legal expenses, incurred in connection with the preparation, negotiation, review, and closing of this Agreement and all other Financing Documents, not to exceed \$10,000. The City acknowledges that any legal counsel retained or employed by the Bank acts solely on the Bank's behalf and not on the City's behalf, and that the City has had sufficient opportunity to seek the advice of its own legal counsel with regard to this Agreement.

9.4 Collection Expenses. The nonprevailing party shall, upon demand by the prevailing party, reimburse the prevailing party for all of its costs, expenses, and reasonable attorneys' fees (including the allocated cost of in-house counsel calculated at rates applicable to attorneys with comparable years of experience in mid-sized law firms in downtown Seattle) incurred in connection with any controversy or claim between the City and the Bank relating to this Agreement or any of the other Financing Documents, or to a tort alleged by the City against the Bank or by the Bank against the City arising out of the transactions evidenced by this Agreement, including those incurred in any action, bankruptcy proceeding, arbitration or other alternative dispute resolution proceeding, or appeal, or in the course of exercising any judicial or nonjudicial remedies.

9.5 Waiver. No failure to exercise and no delay in exercising, on the part of the Bank, any right, power, or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, or privilege under this Agreement preclude any other or further exercise thereof, or the exercise of any other right, power, or privilege. Further, no waiver or indulgence by the Bank of any Default shall constitute a waiver of the Bank's right to declare a subsequent similar failure or event to be a Default.

9.6 No Personal Liability. No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of any present or future Council member, official, officer, agent, or employee of the City, in his or her individual capacity, and neither the Council members, officials, officers, agents, and employees of the City, nor any person executing this Agreement, shall be liable personally under this Agreement or be subject to any personal liability or accountability by reason of this Agreement.

9.7 Assignment. This Agreement is made expressly for the sole benefit of the City and for the protection of the Bank and its successors and permitted (pursuant to the following sentence) assigns. The rights of the City hereunder shall not be assignable without the prior written consent of the Bank. The Bank may at any time sell, assign, grant participations in, or otherwise transfer to any other financial institution (a "Participant") all or any part of its obligations under the Letter of Credit and its rights under this Agreement, with notice to the City. The Bank acknowledges and agrees that any such disposition will not alter or affect the Bank's direct obligations under this Agreement and under the Letter of Credit. The City acknowledges that any such Participant will become an owner *pro rata* of the Obligations, and the City waives any right it may have to setoff the Obligations against any claims or counterclaims it may have against the Bank or such Participant.

9.8 Merger. The rights and obligations set forth in this Agreement shall not merge into or be extinguished by any of the Financing Documents, but shall continue and remain valid and enforceable. This Agreement and the other Financing Documents constitute the Bank's entire agreement with the City with regard to the issuance of the Letter of Credit, and supersede all prior writings and oral negotiations with regard thereto. No oral or written representation, covenant, commitment, waiver, or promise of either the Bank or the City shall have any effect, whether made before or after the date of this Agreement, unless contained in this Agreement or another Financing Document, or in an amendment complying with Section 9.10. **ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, TO EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**



9.9 No Third Party Rights. Nothing expressed in or to be implied from this Agreement is intended to give, or shall be construed to give, any person (including, without limitation, the Beneficiary), other than the parties hereto and their permitted successors and assigns, any benefit or legal or equitable right, remedy, or claim under or by virtue of this Agreement.

9.10 Amendments. Any amendment or waiver of, or consent to any departure by the City from any provision of, this Agreement shall be in writing signed by each party to be bound thereby, and shall be effective only in the specific instance and for the specific purpose for which given.

9.11 Jurisdiction and Venue. The City irrevocably consents to the personal jurisdiction of the state and federal courts located in the State of Washington in any action brought under this Agreement or any other Financing Document, and any action based upon the transactions encompassed by this Agreement, whether or not based in contract. Venue of any such action shall be laid in King County, Washington.

9.12 Construction. Each term of this Agreement and each Financing Document shall be binding to the extent permitted by law and shall be governed by the laws of the State of Washington, excluding its conflict of laws rules. If one or more of the provisions of this Agreement should be invalid, illegal, or unenforceable in any respect, the remaining provisions of this Agreement shall remain effective and enforceable. If there is a conflict between this Agreement and the Ordinance, the Ordinance shall be controlling. The captions and organization of this Agreement are for convenience only, and shall not be construed to affect any provision of this Agreement.

9.13 Early Termination. The City may, upon not less than two Business Days' prior written notice to the Bank executed and delivered to the Bank on behalf of the City by an Authorized Representative, terminate this Agreement; provided that such termination shall only become effective as of the later of (a) the date that all Obligations, including all accrued commitment and letter of credit fees, shall have been paid in full, and (b) the date the original Letter of Credit shall have been surrendered by the Beneficiary to the Bank's letter of credit department. Once terminated in accordance with this Section 9.13, all accrued commitment and letter of credit fees to, but not including, the effective date of such termination shall be paid on the effective date of such termination.

9.14 Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures to such counterparts were upon the same instrument. This Agreement shall become effective when the Bank shall have received counterparts of the Agreement signed by both the City and the Bank.

DATED as of August ____, 2006.

City:

THE CITY OF SEATTLE

By _____
Jorge Carrasco, Superintendent

Bank:

BANK OF AMERICA, N.A.

By _____
Senior Vice President



FISCAL NOTE FOR NON-CAPITAL PROJECTS

| Department: | Contact Person/Phone: | DOF Analyst/Phone: |
|--------------------|------------------------------|---------------------------|
| City Light | Connie Griffith/ 684-0905 | Thomas Dunlap/386-9120 |

Legislation Title: AN ORDINANCE relating to the City Light Department’s participation in a variable payment program for the purchase of electricity from the Bonneville Power Administration; authorizing the Department to enter into agreements and execute documents required by the program; and pledging the net revenues of the Light System to the payment of certain obligations in connection with the program.

- **Summary of the Legislation:** This ordinance will authorize City Light to execute an amendment to its Block and Slice Power Sales Agreement with Bonneville Power Administration (“BPA”), which will enable City Light to participate in BPA’s Flexible PF Rate Program to reduce its purchased power costs. It will also authorize execution of a related letter of credit and reimbursement agreement with Bank of America.
- **Background:** *(Include brief description of the purpose and context of legislation and include record of previous legislation and funding history, if applicable):*

On October 25, 2000, City Light (pursuant to Ordinance No. 120068) executed the Block and Slice Power Sales Agreement (the “PSA”) with BPA. The term of the PSA extends until September 30, 2011. Previous amendments to the PSA since 2000 are listed in Attachment 1 to this Fiscal Note. City Light’s power costs under this agreement are funded in its Purchased Power Budget.

Under its authority established pursuant to the Regional Power Act, BPA periodically updates the power rates applicable to the PSA and has initiated a three-year rate review for the period October 1, 2006 – September 30, 2009, which rate case is known as WP-07. During rate case discussions in 2005, customers raised an idea that BPA could reduce power rates by reducing the amount of cash reserves that it carries. After several months of discussions, BPA proposed the Flexible PF Rate Program (“Program”) to the customers. Customers that sign a contract amendment will be subject to a Flexible PF Charge, equivalent to three months of its average Block payments, which BPA may call upon when its financial forecast meets specific criteria that indicate the need for near term cash reserves.

This Program, by allowing BPA to reduce the cash reserves that it would otherwise routinely carry, enables BPA to reduce the 3-year Block power rates. These rates will, however, still be subject to Cost Recovery Adjustment Clause (“CRAC”) adjustments, as before, when certain conditions are met. If City Light participates in this Program, its



Flexible PF Charge, when required by BPA, will be \$16,500,000.

Once BPA collects the Flexible PF Charge, it will credit each participating customer with a monthly discount ("Flexible PF Discount") on its Block bill. The Flexible PF Discount compensates City Light for the time-value of the Flexible PF Charge amount for the period during which BPA holds it. If the customer pays the Flexible PF Charge from its own funds, the discount will be based on the interest rate earned by BPA from the U.S. Treasury on the cash balances in the Bonneville Fund, plus 50 basis points. However, if the PF Charge is paid by a bank via a letter of credit or line of credit, the discount paid to the customer will be based on the letter of credit's interest rate, plus 50 basis points or the line of credit's interest rate, plus 50 basis points, as the case may be.

Within 120 days of collecting the Flexible PF Charges, BPA will begin to credit the participating customers with Flexible PF Adjustments on their Block power bills. The Flexible PF Adjustment amounts credited each month will be the lesser of the dollar amount in the monthly power bill that would be due and payable without the Flexible PF Adjustment or the Total Flexible PF Obligation Amount. City Light expects that its Total Flexible PF Obligation Amount would be credited back by this procedure within 6-9 months, depending on the size of City Light's monthly Block power bills during the adjustment period.

One exception is that if the Total Flexible PF Obligation Amount is greater than zero at the time of the December Power Bill, then BPA will credit a Flexible PF Adjustment amount that is equal to the total Flexible PF Obligation Amount. This is to ensure that City Light's Flexible PF Charge is fully credited through billing adjustments by the end of the calendar year.

Participation in the Flexible PF Rate Program requires that each participant provide an irrevocable letter of credit or a line of credit with a bank acceptable to BPA. City Light has investigated its options and, after comparing two bank proposals, selected Bank of America to provide a letter of credit to City Light for this purpose. A Reimbursement Agreement has been negotiated, but will not be executed until City Light has authority to execute the proposed Amendment. BPA will reimburse the City for the direct costs of this arrangement up to one percent of the principle amount of \$16,500,000.

City Light's cost of Block power is expected to decrease by at least \$2.2 million as a result of the proposed Program. Four charge/repayment scenarios are shown in detail on Attachment 2 to this Fiscal Note. Block power customers across the Northwest will also enjoy comparable savings on their power bills.

- *Please check one of the following:*

This legislation does not have any financial implications. (Stop here and delete the remainder of this document prior to saving and printing.)



X This legislation has financial implications. (Please complete all relevant sections that follow.)

Appropriations: This table should reflect appropriations that are a direct result of this legislation. In the event that the project/ programs associated with this ordinance have appropriations that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below.

| Fund Name and Number | Department | Budget Control Level* | 2006 Appropriation | 2007 Anticipated Appropriation |
|----------------------|------------|-----------------------|--------------------|--------------------------------|
| | | | | |
| TOTAL | | | | |

*See budget book to obtain the appropriate Budget Control Level for your department.

Notes: There will be no net cost and no incremental appropriations associated with this ordinance. If City Light executes the proposed agreement, BPA will compensate City Light with a discounted power cost during the period of time that it retains City Light's Flexible PF Charge and it will reimburse City Light for the entire cost of the letter of credit. Overall, this Flexible PF Rate Program is expected to reduce City Light's purchased power cost by at least \$2.2 million per year through September 2009. The attached spreadsheet (Attachment 2) shows how this value was computed.

Anticipated Revenue/Reimbursement: Resulting From This Legislation: This table should reflect revenues/reimbursements that are a direct result of this legislation. In the event that the issues/projects associated with this ordinance/resolution have revenues or reimbursements that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below the table.

| Fund Name and Number | Department | Revenue Source | 2006 Revenue | 2007 Revenue |
|----------------------|------------|----------------|--------------|--------------|
| | | | | |
| TOTAL | | | | |

Notes: This program will have no affect on City Light's revenue stream.

Total Regular Positions Created Or Abrogated Through This Legislation, Including FTE Impact: This table should only reflect the actual number of positions created by this legislation. In the event that positions have been, or will be, created as a result of previous or future legislation or budget actions, please provide details in the Notes section below the table.



| Position Title and Department* | Fund Name | Fund Number | Part-Time/Full Time | 2006 Positions | 2006 FTE | 2007 Positions** | 2007 FTE** |
|--------------------------------|-----------|-------------|---------------------|----------------|----------|------------------|------------|
| | | | | | | | |
| | | | | | | | |
| TOTAL | | | | | | | |

* List each position separately

** 2007 positions and FTE are total 2007 position changes resulting from this legislation, not incremental changes. Therefore, under 2007, please be sure to include any continuing positions from 2006

Notes: No changes in staffing will be associated with this ordinance.

- **Do positions sunset in the future?** (If yes, identify sunset date):

Spending/Cash Flow: This table should be completed only in those cases where part or all of the funds authorized by this legislation will be spent in a different year than when they were appropriated (e.g., as in the case of certain grants and capital projects). Details surrounding spending that will occur in future years should be provided in the Notes section below the table.

| Fund Name and Number | Department | Budget Control Level* | 2006 Expenditures | 2007 Anticipated Expenditures |
|----------------------|------------|-----------------------|-------------------|-------------------------------|
| | | | | |
| TOTAL | | | | |

* See budget book to obtain the appropriate Budget Control Level for your department.

Notes: Not applicable.

- **What is the financial cost of not implementing the legislation?** (Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs if the legislation is not implemented.)

Potential lost BPA power costs savings. If, by August 25, 2006, BPA deems that sufficient customers have signed the contract amendments to make program implementation worthwhile, reduced Block rates will be implemented for the entire Northwest Region, effective October 1, 2006. All Block product purchasers will benefit from the reduced power costs. There is a small risk that if many large customers (like Seattle) do not sign the contracts, then BPA will not have sufficient customer participation to incorporate the Program in its final rate proposal. Also, since the Block

rate reduction is tied to the number of participating customers, a low number of participating customers will translate into lower power cost savings.

- **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** *(Include any potential alternatives to the proposed legislation, such as reducing fee-supported activities, identifying outside funding sources for fee-supported activities, etc.)*

None. The success of this innovative Program depends on the number of customers that participate by signing the proposed contract amendment. As noted above, City Light's participation may not be necessary for the Program to be implemented. In that case, City Light will be able to enjoy the reduced Block rates without executing the Amendment.

- **Is the legislation subject to public hearing requirements:** *(If yes, what public hearings have been held to date, and/or what plans are in place to hold a public hearing(s) in the future.)*

No, although it will be discussed in a public session of the Energy and Technology Committee of the Seattle City Council.

- **Other Issues** *(including long-term implications of the legislation):*

If the Flexible PF Rate Program is a success in this rate case, BPA may be willing to offer it in succeeding rate periods, which could result in reduced Block power rates well beyond 2009. City Light's participation in the proposed Program provides an opportunity for Seattle to demonstrate its long-term commitment to low cost, public power in the Northwest.

Please list attachments to the fiscal note below:

- Attachment 1: Previous amendments to Block and Slice Power Sales Agreement
Attachment 2: Analysis of BPA's Flexible PF Rate Program

**PREVIOUS AMENDMENTS TO THE CITY'S
BLOCK AND SLICE POWER SALES AGREEMENT ("PSA")
WITH BONNEVILLE POWER ADMINISTRATION**

Amendment No. 1 (January 10, 2001) changed the terms and conditions of the transmission conversion provisions;

Amendment No. 2 (July 23, 2001) extended the time frame in which modifications to the PSA could be negotiated to incorporate changes resulting from the rate case;

Amendment No. 3 (September 26, 2001) conformed the PSA to the rate case, including revisions in several exhibits;

Amendment No. 4 (February 20, 2002) decremented City Light's Block entitlement to account for conservation energy savings associated with separate conservation agreements;

Amendment No. 5 (September 23, 2002) decremented City Light's Block entitlement to account for conservation energy savings associated with separate conservation agreements and reshape the Block product deliveries;

Amendment No. 6 (September 25, 2003) reshaped the Block product deliveries; and

Amendment No. 7 (September 28, 2004) reshaped the Block product deliveries through the end of the agreement (i.e., September 30, 2011).



ANALYSIS OF BPA'S FLEXIBLE PF RATE PROGRAM

| | Projected Block Cost (1) | City Light's payments w/ no call (2) | City Light's payments w/ PF charge (3) | Flexible PF Charge Obligation (4) | Interest paid by BPA (5) | Capital Cost (6) | Total Net Cost (7) |
|--------------|-----------------------------|--|--|---|-----------------------------|---------------------|-----------------------|
| Jan-07 | \$8,414,823 | \$8,146,239 | \$24,646,239 | \$16,500,000 | | | \$24,646,239 |
| Feb-07 | \$7,664,874 | \$7,426,751 | \$7,400,855 | \$16,500,000 | (\$25,896) | \$21,313 | \$7,422,167 |
| Mar-07 | \$7,837,592 | \$7,574,663 | \$7,496,975 | \$16,500,000 | (\$77,688) | \$63,938 | \$7,560,913 |
| Apr-07 | \$3,533,503 | \$3,406,456 | \$3,328,769 | \$16,500,000 | (\$77,688) | \$63,938 | \$3,392,706 |
| May-07 | \$0 | \$0 | (\$77,688) | \$16,500,000 | (\$77,688) | \$63,938 | (\$13,750) |
| Jun-07 | \$0 | \$0 | (\$77,688) | \$16,500,000 | (\$77,688) | \$63,938 | (\$13,750) |
| Jul-07 | \$2,320,878 | \$2,231,821 | \$0 | \$14,345,867 | (\$77,688) | \$63,938 | \$63,938 |
| Aug-07 | \$5,170,220 | \$5,002,001 | \$0 | \$9,411,411 | (\$67,545) | \$55,590 | \$55,590 |
| Sep-07 | \$7,967,642 | \$7,721,402 | \$0 | \$1,734,320 | (\$44,312) | \$36,469 | \$36,469 |
| Oct-07 | \$8,138,330 | \$7,894,864 | \$6,155,100 | | (\$5,444) | \$4,480 | \$6,159,580 |
| Nov-07 | \$9,013,274 | \$8,759,510 | \$8,759,510 | | | | \$8,759,510 |
| Dec-07 | \$9,667,816 | \$9,405,593 | \$9,405,593 | | | | \$9,405,593 |
| TOTAL | \$69,728,953 | \$67,569,301 | \$67,037,667 | | (\$531,634) | \$437,540 | \$67,475,206 |
| | Cost Saving | \$2,159,652 | | | | | \$2,253,747 |

Notes

- 1 Based on the PF Rate published on WP-07 posting at time of budget preparation in May 2006. Includes conservation decrement to be applied beginning October 2006.
- 2 The PF Rate is expected to be reduced by at least \$1/MWh whether or not there is a call by BPA to pay the Flexible PF Charge. Cost saving is calculated as the scheduled MWh times the proposed discount of \$1 per MWh.
- 3 Rate is reduced \$1/MWh. City Light's payments when Flexible PF Charge is paid by January 20 and repaid via billing adj July through September. Reflects monthly Flex PF Discount and interest received from BPA, as applicable.
- 4 Stuart Clarke, BPA Account Executive for SCL, estimates the probability of a call at 5% and most likely between February and May, inclusive. Figures are as of end of each month.
- 5 SCL will be paid interest on total Flex PF Obligation Amount. BPA will use its Treasury borrowing rate, plus 50 basis points. Flexible PF Discount assumed to be 5.65%
- 6 Capital cost for SCL funds assumed to be 4.65%
- 7 Savings net of cost of capital. Since this is not a cash outlay, it is not included in the previous columns.

Savings relative to budget projection:

| | | Probability | Expected |
|----------------------|-------------|------------------|--------------|
| Savings without call | \$2,159,652 | 0.95 | \$ 2,051,669 |
| Savings with call | \$2,253,747 | 0.05 | \$ 112,687 |
| | | Probable savings | \$ 2,164,357 |



ANALYSIS OF BPA'S FLEXIBLE PF RATE PROGRAM

| | Projected Block Cost (1) | City Light's payments w/ no call (2) | City Light's payments w/ PF charge (3) | Flexible PF Charge Obligation (4) | Interest paid by BPA (5) | Capital Cost (6) | Total Net Cost (7) |
|--------------|-----------------------------|--|--|---|-----------------------------|---------------------|-----------------------|
| Jan-07 | \$8,414,823 | \$8,146,239 | \$8,146,239 | | | | \$8,146,239 |
| Feb-07 | \$7,664,874 | \$7,426,751 | \$23,926,751 | \$16,500,000 | | | \$23,926,751 |
| Mar-07 | \$7,837,592 | \$7,574,663 | \$7,548,767 | \$16,500,000 | (\$25,896) | \$21,313 | \$7,570,079 |
| Apr-07 | \$3,533,503 | \$3,406,456 | \$3,328,769 | \$16,500,000 | (\$77,688) | \$63,938 | \$3,392,706 |
| May-07 | \$0 | \$0 | (\$77,688) | \$16,500,000 | (\$77,688) | \$63,938 | (\$13,750) |
| Jun-07 | \$0 | \$0 | (\$77,688) | \$16,500,000 | (\$77,688) | \$63,938 | (\$13,750) |
| Jul-07 | \$2,320,878 | \$2,231,821 | \$0 | \$14,345,867 | (\$77,688) | \$63,938 | \$63,938 |
| Aug-07 | \$5,170,220 | \$5,002,001 | \$0 | \$9,411,411 | (\$67,545) | \$55,590 | \$55,590 |
| Sep-07 | \$7,967,642 | \$7,721,402 | \$0 | \$1,734,320 | (\$44,312) | \$36,469 | \$36,469 |
| Oct-07 | \$8,138,330 | \$7,894,864 | \$6,155,100 | | (\$5,444) | \$4,480 | \$6,159,580 |
| Nov-07 | \$9,013,274 | \$8,759,510 | \$8,759,510 | | | | \$8,759,510 |
| Dec-07 | \$9,667,816 | \$9,405,593 | \$9,405,593 | | | | \$9,405,593 |
| TOTAL | \$69,728,953 | \$67,569,301 | \$67,115,354 | | (\$453,947) | \$373,602 | \$67,488,956 |
| | Cost Saving | \$2,159,652 | | | | | \$2,239,997 |

Notes

- 1 Based on the PF Rate published on WP-07 posting at time of budget preparation in May 2006. Includes conservation decrement to be applied beginning October 2006.
- 2 The PF Rate is expected to be reduced by at least \$1/MWh whether or not there is a call by BPA to pay the Flexible PF Charge. Cost saving is calculated as the scheduled MWh times the proposed discount of \$1 per MWh.
- 3 Rate is reduced \$1/MWh. City Light's payments when Flexible PF Charge is paid by February 20 and repaid via billing adj July through September. Reflects monthly Flex PF Discount, and interest received from BPA, as applicable.
- 4 Stuart Clarke, BPA Account Executive for SCL, estimates the probability of a call at 5% and most likely between February and May, inclusive.
- 5 SCL will be paid interest on total Flex PF Obligation Amount. BPA will use its Treasury borrowing rate plus 50 basis points. Flexible PF Discount assumed to be 5.65%
- 6 Capital cost for SCL funds assumed to be 4.65%
- 7 Savings net of cost of capital. Since this is not a cash outlay, it is not included in the previous columns.

Savings relative to budget projection:

| | | Probability | Expected |
|----------------------|-------------|------------------|--------------|
| Savings without call | \$2,159,652 | 0.95 | \$ 2,051,669 |
| Savings with call | \$2,239,997 | 0.05 | \$ 112,000 |
| | | Probable savings | \$ 2,163,669 |



ANALYSIS OF BPA'S FLEXIBLE PF RATE PROGRAM

| | Projected Block Cost (1) | City Light's payments w/ no call (2) | City Light's payments w/ PF charge (3) | Flexible PF Charge Obligation | Interest paid by BPA (4) | Capital Cost (5) | Total Net Cost |
|--------------|-----------------------------|--|--|-------------------------------------|-----------------------------|---------------------|---------------------|
| Jan-07 | \$8,414,823 | \$8,146,239 | \$8,146,239 | | | | \$8,146,239 |
| Feb-07 | \$7,664,874 | \$7,426,751 | \$7,426,751 | | | | \$7,426,751 |
| Mar-07 | \$7,837,592 | \$7,574,663 | \$24,074,663 | \$16,500,000 | | | \$24,074,663 |
| Apr-07 | \$3,533,503 | \$3,406,456 | \$3,380,560 | \$16,500,000 | (\$25,896) | \$21,313 | \$3,401,873 |
| May-07 | \$0 | \$0 | (\$77,688) | \$16,500,000 | (\$77,688) | \$63,938 | (\$13,750) |
| Jun-07 | \$0 | \$0 | (\$77,688) | \$16,500,000 | (\$77,688) | \$63,938 | (\$13,750) |
| Jul-07 | \$2,320,878 | \$2,231,821 | \$0 | \$14,345,867 | (\$77,688) | \$63,938 | \$63,938 |
| Aug-07 | \$5,170,220 | \$5,002,001 | \$0 | \$9,411,411 | (\$67,545) | \$55,590 | \$55,590 |
| Sep-07 | \$7,967,642 | \$7,721,402 | \$0 | \$1,734,320 | (\$44,312) | \$36,469 | \$36,469 |
| Oct-07 | \$8,138,330 | \$7,894,864 | \$6,152,378 | | (\$8,166) | \$4,480 | \$6,156,858 |
| Nov-07 | \$9,013,274 | \$8,759,510 | \$8,759,510 | | | | \$8,759,510 |
| Dec-07 | \$9,667,816 | \$9,405,593 | \$9,405,593 | | | | \$9,405,593 |
| TOTAL | \$69,728,953 | \$67,569,301 | \$67,190,320 | | (\$378,981) | \$309,665 | \$67,499,984 |
| | Cost Saving | \$2,159,652 | | | | | \$2,228,969 |

Notes

- 1 Based on the PF Rate published on WP-07 posting at time of budget preparation in May 2006. Includes conservation decrement to be applied beginning October 2006.
- 2 The PF Rate is expected to be reduced by at least \$1/MWh whether or not there is a call by BPA to pay the Flexible PF Charge
- 3 Rate is lowered \$1/MWh. City Light's payments when Flexible PF Charge is paid by March 20 and repaid via billing adj July through September. Reflects monthly Flex PF Discount, as applicable.
- 4 Stuart Clarke, BPA Account Executive for SCL, estimates the probability of a call at 5% and most likely between February and May, inclusive.
- 5 SCL will be paid interest on total Flex PF Obligation Amount. BPA will use its Treasury borrowing rate plus 50 basis points. Flexible PF Discount assumed to be 5.65%
- 6 Capital cost for SCL funds assumed to be 4.65%
- 7 Savings net of cost of capital. Since this is not a cash outlay, it is not included in the previous columns.

Savings relative to budget projection:

| | | Probability | Expected |
|----------------------|-------------|-------------|--------------|
| Savings without call | \$2,159,652 | 0.95 | \$ 2,051,669 |
| Savings with call | \$2,228,969 | 0.05 | \$ 111,448 |
| Probable savings | | | \$ 2,163,118 |



ANALYSIS OF BPA'S FLEXIBLE PF RATE PROGRAM

| | Projected Block Cost (1) | City Light's payments w/ no call (2) | City Light's payments w/ PF charge (3) | Flexible PF Charge Obligation (4) | Interest paid by BPA (5) | Capital Cost (6) | Total Net Cost (7) |
|--------------|-----------------------------|--|--|---|-----------------------------|---------------------|-----------------------|
| Jan-07 | \$8,414,823 | \$8,146,239 | \$8,146,239 | | | | \$8,146,239 |
| Feb-07 | \$7,664,874 | \$7,426,751 | \$7,426,751 | | | | \$7,426,751 |
| Mar-07 | \$7,837,592 | \$7,574,663 | \$7,574,663 | | | | \$7,574,663 |
| Apr-07 | \$3,533,503 | \$3,406,456 | \$3,406,456 | | | | \$3,406,456 |
| May-07 | \$0 | \$0 | \$0 | | | | \$0 |
| Jun-07 | \$0 | \$0 | \$0 | | | | \$0 |
| Jul-07 | \$2,320,878 | \$2,231,821 | \$2,231,821 | | | | \$2,231,821 |
| Aug-07 | \$5,170,220 | \$5,002,001 | \$5,002,001 | | | | \$5,002,001 |
| Sep-07 | \$7,967,642 | \$7,721,402 | \$7,721,402 | | | | \$7,721,402 |
| Oct-07 | \$8,138,330 | \$7,894,864 | \$7,894,864 | | | | \$7,894,864 |
| Nov-07 | \$9,013,274 | \$8,759,510 | \$25,259,510 | \$16,500,000 | | | \$25,259,510 |
| Dec-07 | \$9,667,816 | \$9,405,593 | (\$7,172,094) | \$0 | (\$77,688) | \$63,938 | (\$7,108,157) |
| TOTAL | \$69,728,953 | \$67,569,301 | \$67,491,613 | | (\$77,688) | \$63,938 | \$67,555,551 |
| | Cost Saving | \$2,159,652 | | | | | \$2,173,402 |

| | Projected Block Cost (1) | City Light's payments w/ no call (2) | City Light's payments w/ PF charge (3) | Flexible PF Charge Obligation (4) | Interest paid by BPA (5) | Capital Cost (6) | Total Net Cost |
|--------------|-----------------------------|--|--|---|-----------------------------|---------------------|---------------------|
| Jan-08 | \$8,414,823 | \$8,146,239 | \$24,646,239 | \$16,500,000 | | \$42,625 | \$24,688,864 |
| Feb-08 | \$7,664,874 | \$7,426,751 | \$7,400,855 | \$16,500,000 | (\$25,896) | \$21,313 | \$7,422,167 |
| Mar-08 | \$7,837,592 | \$7,574,663 | \$7,496,975 | \$16,500,000 | (\$77,688) | \$63,938 | \$7,560,913 |
| Apr-08 | \$3,533,503 | \$3,406,456 | \$3,328,769 | \$16,500,000 | (\$77,688) | \$63,938 | \$3,392,706 |
| May-08 | \$0 | \$0 | (\$77,688) | \$16,500,000 | (\$77,688) | \$63,938 | (\$13,750) |
| Jun-08 | \$0 | \$0 | (\$77,688) | \$16,500,000 | (\$77,688) | \$63,938 | (\$13,750) |
| Jul-08 | \$2,320,878 | \$2,231,821 | \$0 | \$14,345,867 | (\$77,688) | \$63,938 | \$63,938 |
| Aug-08 | \$5,170,220 | \$5,002,001 | \$0 | \$9,411,411 | (\$67,545) | \$55,590 | \$55,590 |
| Sep-08 | \$7,967,642 | \$7,721,402 | \$0 | \$1,734,320 | (\$44,312) | \$36,469 | \$36,469 |
| Oct-08 | \$8,138,330 | \$7,894,864 | \$6,152,378 | | (\$8,166) | \$4,480 | \$6,156,858 |
| Nov-08 | \$9,013,274 | \$8,759,510 | \$8,759,510 | | | | \$8,759,510 |
| Dec-08 | \$9,667,816 | \$9,405,593 | \$9,405,593 | | | | \$9,405,593 |
| TOTAL | \$69,728,953 | \$67,569,301 | \$67,034,945 | | (\$534,356) | \$480,165 | \$67,515,109 |
| | Cost Saving | \$2,159,652 | | | | | \$2,213,844 |

Notes

- Based on the PF Rate published on WP-07 posting at time of budget preparation in May 2006. Includes conservation decrement to be applied beginning October 2006.
- The PF Rate is expected to be reduced by at least \$1/MWh whether or not there is a call by BPA to pay the Flexible PF Charge
- Rate is reduced \$1/MWh. City Light's payments when Flexible PF Charge is paid by November 20, repaid on Dec bill by January 20, advanced again on January bill due by February 20th and repaid via billing adjustments July through September. Reflects monthly Flex PF Discount, as applicable.
Note: this is an unlikely scenario.
- Stuart Clarke, BPA Account Executive for SCL, estimates the probability of a call at 5% and most likely between February and May, inclusive.
- SCL will be paid interest on total Flex PF Obligation Amount. BPA will use its Treasury borrowing rate, plus 50 basis points. Flexible PF Discount assumed to be 5.65%
- Capital cost for SCL funds assumed to be 4.65%
- Savings net of cost of capital. Since this is not a cash outlay, it is not included in the previous columns.

Savings relative to budget projection.

| | | Probability | Expected |
|---------------------------|-------------|-----------------------|--------------|
| 2-yr Savings without call | \$4,319,304 | 0.95 | \$ 4,103,339 |
| 2-yr Savings with call | \$4,387,246 | 0.05 | \$ 219,362 |
| | | Probable 2-yr savings | \$ 4,322,701 |
| | | Avg annual savings | \$ 2,161,351 |



1 Section 2. In connection with the issuance of a Letter of Credit in the maximum amount
2 of \$16,500,000 and substantially in the form attached to this ordinance as Exhibit B with such
3 changes as are consistent with this ordinance and acceptable to the Superintendent, the
4 Superintendent, or his designee, is authorized to execute, on behalf of the City, a Reimbursement
5 Agreement, substantially in the form attached to this ordinance as Exhibit C, with such changes
6 as are consistent with this ordinance and acceptable to the Superintendent. The Superintendent,
7 or his designee, is further authorized to negotiate and execute any amendments, extensions or
8 replacements of the Letter of Credit, Reimbursement Agreement and related documents as the
9 Superintendent deems necessary, appropriate or desirable to continue the City's participation in
10 the Program. Notwithstanding any other provisions of this ordinance, however, the total
11 principal amount of any reimbursement obligation under the Reimbursement Agreement and any
12 amendments or extensions or replacements shall not exceed \$20,000,000, and the term of such
13 documents shall not extend beyond December 31, 2026.
14
15

16 Section 3. The City pledges, to the repayment of the obligations to the Bank under the
17 Reimbursement Agreement, the net revenue of the Light System in the manner, to the extent and
18 subject to the terms and conditions set forth in the Reimbursement Agreement.
19

20 Section 4. The Superintendent, or his designee, is further authorized to negotiate and
21 execute documents related to those described in sections 1 and 2 that are deemed reasonably
22 necessary or appropriate to satisfy the City's performance of its obligations under Amendment
23 No. 8.
24

25 Section 5. Any acts in furtherance of this ordinance that are taken after its passage but
26
27
28

1 prior to its effective date are hereby ratified and confirmed.

2 Section 6. This ordinance shall take effect and be in force thirty (30) days from and after
3 its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days
4 after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

5 Passed by the City Council the ____ day of _____, 2006, and signed by me in
6 open session in authentication of its passage this ____ day of _____, 2006.
7

8
9 _____
10 President _____ of the City Council

11 Approved by me this ____ day of _____, 2006.

12
13 _____
14 Gregory J. Nickels, Mayor

15 Filed by me this ____ day of _____, 2006.

16 _____
17 City Clerk

18 (Seal)

19
20 Exhibit A: Amendment No. 8
21 Exhibit B: Letter of Credit
22 Exhibit C: Reimbursement Agreement
23
24
25
26
27
28

STATE OF WASHINGTON – KING COUNTY

--SS.

201701
CITY OF SEATTLE, CLERKS OFFICE

No.

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

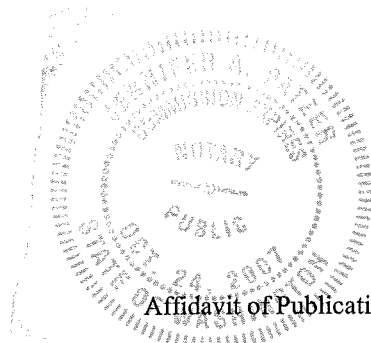
The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:122196 TITLE ONLY

was published on

08/21/06

The amount of the fee charged for the foregoing publication is the sum of \$ 34.50, which amount has been paid in full.



Affidavit of Publication

Subscribed and sworn to before me on

08/21/06

Notary public for the State of Washington,
residing in Seattle

State of Washington, King County

City of Seattle

TITLE-ONLY PUBLICATION

The full text of the following ordinances, passed by the City Council on August 14, 2006, and published here by title only, will be mailed upon request, or can be accessed electronically at <http://clerk.ci.seattle.wa.us>. For further information, contact the Seattle City Clerk at 684-8344.

ORDINANCE NO. 122198

AN ORDINANCE relating to the City Light Department's participation in a variable payment program for the purchase of electricity from the Bonneville Power Administration; authorizing the Department to enter into agreements and execute documents required by the program; and pledging the net revenues of the Light System to the payment of certain obligations in connection with the program.

Publication ordered by JUDITH PIPPIN,
City Clerk

Date of publication in the Seattle Daily
Journal of Commerce, August 21, 2006.

8/21(201701)